

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-3989

March 21, 2006

R E S O L U T I O N

Resolution E-3989. Corrects error in Resolution E-3984.
(Pacific Gas and Electric Company proposes to permanently
close the Hunters Point Power Plant in Advice Letter 2790-E
filed on February 23, 2006).

The Commission has been informed that an error exists in Resolution E-3984
which the Commission approved on March 15, 2006.

As a result of inadvertent error, the date on page 7 of the Resolution E-3984,
under the certification section was written as March 15, 2005. The correct
date should be March 15, 2006.

Under Resolution A-4661, **IT IS ORDERED** that Resolution E-3984 is corrected
as set forth to this resolution.

This resolution is effective today.

Dated March 21, 2006, at San Francisco, California.

STEVE LARSON
Executive Director

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-3984
March 15, 2006

R E S O L U T I O N

Resolution E-3984. Pacific Gas and Electric Company (PG&E) proposes to permanently close the Hunters Point Power Plant.

By Advice Letter 2790-E, filed February 23, 2006.

SUMMARY

PG&E's proposal to permanently close its Hunters Point Power Plant (HPPP) is approved. Any issues that the Commission must address relating to ratemaking, decommissioning, or disposition of the plant and related assets shall be addressed by separate Commission orders.

BACKGROUND

In General Order (GO) 167, the Commission adopted Operation Standards for Power Plants. Operation Standard 24, requires Generating Asset Owners (GAOs) covered in GO 167 to obtain an affirmative declaration from the Commission, in consultation with the Control Area Operator, that a generation facility is no longer needed before it retires or makes long term changes in the status of a unit.

On February 6, 2006, PG&E sent a letter to the Commission providing formal notice in accordance with Operation Standard 23 of GO 167 that PG&E plans to permanently shut down all remaining units at HPPP in the second quarter of 2006, after the Jefferson-Martin and Potrero-Hunters Point transmission

upgrades enter full commercial operation.¹ PG&E filed Advice Letter 2790-E on February 23, 2006 proposing to permanently shut down HPPP.

In 1998, PG&E entered into an agreement with the City and County of San Francisco (CCSF) in which PG&E agreed to permanently shut down HPPP as soon as 1) the facility was no longer needed to sustain electric reliability in San Francisco and the surrounding area and 2) PG&E was authorized to terminate the facility's Reliability Must Run (RMR) Contract. The Commission approved this agreement and the closure of HPPP in D.98-10-029.

In D.04-08-046, the Commission also acknowledged its support of the closure of HPPP as soon as it is no longer needed to sustain electric reliability in San Francisco and the surrounding area.

Effective January 1, 2006, PG&E's RMR Contract with the California Independent System Operator (CAISO) was amended to state that the RMR Contract will terminate ten business days after PG&E provides the CAISO with notice that both the Jefferson-Martin 230 kV Transmission Line Project (Jefferson-Martin Project) and the Potrero-Hunters Point 115 kV Transmission Cable Project (Potrero-Hunters Point Project) are in full commercial operation.

PG&E submits in its advice letter that the Jefferson-Martin and Potrero-Hunters Point transmission upgrades are expected to be completed and fully operational by April 2006 and March 2006, respectively. (Appendix A to AL 2790-E.) PG&E also represents that the closure of HPPP has been incorporated into its resource planning process, and that HPPP is no longer needed to meet reliability criteria in PG&E's service area.

¹We note that PG&E's February 6, 2006 letter was not received a full 90 days before the planned closure of HPPP, as required by Operation Standard 23. However, because the Commission was aware of and had previously approved of the closure of HPPP, as discussed *infra*, the notice requirement is immaterial.

NOTICE

Notice of AL 2790-E was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A. PG&E also served its advice letter on all parties in A.05-12-002 and R.04-04-003.

PROTESTS

On March 2, 2006 CCSF, and Greenaction for Health and Environmental Justice along with the Huntersview Tenants Association, All Hallows Gardens Residents Association, the Bayview Hunters Point Mothers Committee, and the Environmental Justice Air Quality Coalition (Greenaction, et al.) issued letters to Energy Division in support of PG&E's AL 2790-E. CCSF, and Greenaction, et al., both urge the Commission to approve PG&E's advice letter so that PG&E may proceed with the scheduled closure of HPPP in April 2006.

DISCUSSION

PG&E is a Generating Asset Owner as defined in GO 167, and the filing of this advice letter by PG&E is appropriate in order to ensure compliance with Operation Standard 24, which requires Commission approval before PG&E makes a long term change in the status of HPPP.

The Commission approved the closure of HPPP in 1998, long before the adoption of GO 167. In 1998, the Commission issued D.98-10-029 which approved the agreement between PG&E and San Francisco for the closure of HPPP. In that decision, the Commission concluded that Public Utilities Code section 363(c) requires the Commission to approve the closure of bayside generation facilities where there has been a proposal by a local government agency that such closure would serve the public interest. (D.98-10-029, Conclusion of Law No. 1.)

The Commission affirmed its approval of the proposed closure of HPPP in the Jefferson-Martin Project CPCN proceeding, stating "We support the closure of Hunters Point, as evidenced by our approval in D.98-10-029 of PG&E's settlement agreement with CCSF, which provides that PG&E shut Hunters Point as soon as it is no longer needed to sustain electric reliability in San Francisco and the surrounding area." (D.04-08-046, p.43)

The CAISO has indicated its agreement that HPPP is no longer needed for reliability, by agreeing to terminate PG&E's RMR contract ten days after notice of completion of the Jefferson-Martin and Potrero-Hunters Point transmission upgrades. PG&E has represented in its advice letter that these upgrades will be in full commercial operation by April 2006. In addition, PG&E represents that it has incorporated the planned shutdown of HPPP into its resource planning process and HPPP is no longer needed to meet reliability criteria in its service territory. Therefore, it is reasonable for the Commission to conclude that HPPP is no longer needed for reliability once the Jefferson-Martin and Potrero-Hunters Point transmission upgrades are operational. Accordingly we authorize PG&E to close HPPP ten business days after it provides written notice to the CAISO and the Commission that both the Jefferson-Martin and Potrero-Hunters Point transmission upgrades are in full commercial operation.

PG&E states in its advice letter that it does not contemplate any issues related to shut-down of HPPP site regarding asset disposition matters which the Commission must address pursuant to Public Utilities Code Section (Section) 851. PG&E states that assets that remain useful will be redeployed by PG&E in other areas, and that any remaining assets that are no longer necessary or useful will be disposed of as salvage.

In authorizing PG&E to permanently close HPPP, we do not prejudge any issues that may relate to disposition of assets associated with the plant or the underlying land, including matters addressed pursuant to Section 851. If such issues need to be addressed by the Commission, they shall be considered in a separate order(s).

PG&E notes in its advice letter that it has made assumptions about the retirement date of HPPP, and plant decommissioning costs in its 2007 general rate case A.05-12-002. Ratemaking matters associated with closure of HPPP shall be addressed by the Commission in orders in A.05-12-002 or other appropriate proceedings. By authorizing PG&E to close HPPP we do not prejudge any ratemaking or decommissioning issues related to the plant. Those issues will be addressed in separate Commission orders.

COMMENTS

Public Utilities Code section 311(g) (1) requires that draft resolutions be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g) (3) provides that this 30-day period may be reduced or waived pursuant to Commission adopted rule.

The 30-day comment period for this resolution has been reduced in accordance with the provisions of Rule 77.7(f) (9). Rule 77.7(f) (9) provides that the Commission may waive or reduce the comment period for a decision when the Commission determines that public necessity requires reduction or waiver of the 30-day period for public review and comment. For purposes of Rule 77.7(f) (9), “public necessity” refers to circumstances in which the public interest in the Commission’s adopting a decision before expiration of the 30-day review and comment period clearly outweighs the public interest in having the full 30-day period for review and comment, and includes circumstances where failure to adopt a decision before expiration of the 30-day review and comment period would cause significant harm to public health or welfare. The public necessity in this case is that the Commission needs to address PG&E’s AL 2790-E prior to April 13, 2006, the earliest meeting that would allow for a 30 comment period.

In this case, the public necessity requiring a reduction in the comment period outweighs the public interest in having the full 30-day period for review and comment. Thus, pursuant to Rule 77.7(f) (9), we provide for a shortened comment period.

On March 9, 2006 PG&E submitted comments on the draft Resolution. PG&E supports the draft Resolution and proposes minor clarifying edits. PG&E’s proposed edits have been incorporated into the Resolution. On March 13, 2006 the CAISO submitted comments indicating its support and urging the Commission to approve the draft Resolution.

FINDINGS

1. Operation Standard 24 of GO 167 requires PG&E to seek Commission approval before retiring HPPP.

2. PG&E filed AL 2790-E on February 23, 2006, proposing to permanently shut down HPPP.
3. On March 2, 2006 the City and County of San Francisco, and Greenaction, et al., issued letters to Energy Division in support of PG&E's AL 2790-E.
4. In D.98-10-029 and D.04-08-046, the Commission indicated its approval of the agreement between PG&E and the City and County of San Francisco, allowing PG&E to permanently shut down of HPPP as soon as the facility was no longer needed to sustain electric reliability in San Francisco and the surrounding area, and authorizing PG&E to terminate its RMR Contract.
5. PG&E's RMR contract with the CAISO will terminate ten business days after the Jefferson-Martin Transmission Line Project and the Potrero-Hunters Point Transmission Cable Project are in full commercial operation, which is expected in April 2006.
6. With the completion of the Jefferson-Martin and Potrero-Hunters Point transmission upgrades, and the agreement of the CAISO, it is reasonable for the Commission to conclude that HPPP is no longer needed for reliability purposes.
7. Any issues related to the shut-down of HPPP site involving plant, and related asset disposition, or that of the underlying land, including matters that the Commission must address pursuant Section 851, should be considered in separate Commission orders.
8. Issues related to ratemaking and decommissioning of HPPP should be addressed by the Commission in separate orders in A.05-12-002 or other appropriate proceedings.

THEREFORE IT IS ORDERED THAT:

1. PG&E is authorized to permanently close HPPP ten business days after PG&E provides written notice to the CAISO and the Commission that both the Jefferson-Martin and Potrero-Hunters Point transmission upgrades are in full commercial operation.

2. This Resolution does not resolve any issues related to the shut-down of HPPP site that involve plant and related asset disposition, or that of the underlying land, including matters that the Commission must address pursuant to Section 851. Those issues shall be addressed in separate Commission orders.
3. This Resolution does not resolve any issues related to ratemaking and decommissioning of HPPP. Those issues shall be addressed by the Commission in separate orders in A.05-12-002 or other appropriate proceedings.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on March 15, 2005, the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
GEOFFREY F. BROWN
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
Commissioners